Joint Committee on Taxation
October 15, 1990
JCX-41-90
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BUDGET RECONCILIATION - REVENUE PROPOSALS AS APPROVED BY THE SENATE COMMITTEE ON FINANCE ON OCTOBER 13, 1990

Fiscal Years 1991-1995

[Billions of Dollars]

Item	Effective	1991	1992	1993	1994	1995	1991-95
A. Extend Expiring Provisions through 12/31/91 (1)							
1. Foreign allocation of R&D	--	-0.5	-0.3	--	--	--	-0.8
2. Research and experimentation tax credit (2)	--	-0.6	-0.4	-0.1	-0.1	(3)	-1.2
3. Employer-provided educational assistance (include graduate students)	--	-0.3	-0.1	--	--	--	-0.4
4. Employer-provided group legal services	--	-0.1	(3)	--	--	--	-0.1
5. Targeted jobs tax credit	--	-0.1	-0.1	-0.1	(3)	(3)	-0.3
6. Business energy tax credits (solar, geothermal, and ocean thermal property)	--	-0.1	(3)	(4)	(4)	(4)	-0.1
7. Low-income housing credit (with modifications)	--	-0.2	-0.4	-0.4	-0.4	-0.4	-1.9
8. Mortgage revenue bonds and mortgage credit certificates	--	(3)	-0.1	-0.1	-0.1	-0.1	-0.4
9. Qualified small-issue manufacturing bonds	--	(3)	-0.1	-0.1	-0.1	-0.1	-0.3
10. Health insurance for self-employed (25% deduction)	--	-0.3	-0.1	--	--	--	-0.4
11. Orphan drug tax credit	--	(5)	(5)	(5)	(5)	(5)	(3)
Subtotals, Extension of Expiring Provisions		***-2.1***	***-1.5***	***-0.8***	***-0.6***	***-0.6***	***-5.6***
B. Other Tax Incentives							
1. Energy incentives:							
a. Extend nonconventional fuels tax credit (section 29) permanently and expand to tight sands gas	1/1/91	(3)	-0.1	-0.2	-0.3	-0.4	-1.0
b. Tax incentives for ethanol production	1/1/91	(6)	(6)	(3)	-0.1	-0.1	-0.2
c. 15% credit for enhanced oil recovery costs (7)	1/1/91	(3)	(3)	(3)	-0.1	-0.1	-0.2
d. Percentage depletion amendments	1/1/91	(3)	(3)	-0.1	-0.1	-0.1	-0.3
e. Exploratory drilling credit and preference cutback (7)	1/1/91	-0.2	-0.3	-0.3	-0.3	-0.3	-1.4
f. Reduce AMT preference for percentage depletion on stripper wells (7)	1/1/91	(3)	-0.1	-0.1	-0.1	-0.1	-0.4

Item	Effective	1991	1992	1993	1994	1995	1991-95
2. Additional small business incentives:							
a. Modify estate freeze rules (section 2036(c))	10/9/90	0.1	(3)	-0.1	-0.2	-0.3	-0.5
b. Public accommodations expenditures:							
i. Disabled persons access tax credit (50%/$5,000) (8)	D/oE	(3)	-0.1	-0.1	-0.1	-0.1	-0.4
ii. Lower cap on section 190 expensing to $15,000	D/oE	(6)	0.1	0.1	0.1	0.1	0.4
c. Increase section 179 expensing to $14,000	1/1/91	-0.5	-0.8	-0.6	-0.4	-0.3	-2.7
Subtotals, Other Tax Incentives		***-0.6***	***-1.3***	***-1.4***	***-1.6***	***-1.7***	***-6.6***
C. Progressivity Enhancement Proposals							
Increase EITC and provide other credits in latest Senate child care offer (9)	1/1/91	***-0.1***	***-2.1***	***-3.0***	***-4.3***	***-7.4***	***-16.9***
D. Deficit Reduction Provisions							
1. Provisions affecting itemized deductions:							
a. Limitation on itemized deductions of high-income taxpayers (10)	1/1/91	0.9	6.3	6.5	7.4	8.4	29.5
b. Eliminate AMT preference for charitable contributions of certain tangible personal property	1/1/91	(3)	(3)	(3)	(3)	(3)	-0.1
c. Eliminate medical deduction for cosmetic surgery	1/1/91	(4)	0.1	0.1	0.1	0.1	0.3
2. Motor fuels tax (4 cents; 9 cents after 7/1/91; 9-1/2 cents after 1/1/92) (11)	12/1/90	4.6	9.6	9.4	9.5	9.5	42.6
3. Increase tobacco excise taxes by 4 cents per pack in 1991 and by 4 cents per pack in 1993	1/1/91	0.6	0.8	1.5	1.5	1.5	5.9
4. Increase beer, wine, and distilled spirits excise taxes (12)	1/1/91	1.4	2.0	1.9	1.9	1.9	9.1
5. Impose 10% luxury excise tax (13)	1/1/91	0.2	0.4	0.5	0.5	0.5	2.1
6. Expand ozone-depleting chemical excise tax (14)	1/1/91	0.1	0.1	0.1	0.1	0.1	0.5
7. Extend Leaking Underground Storage Tank (LUST) Trust Fund excise tax (5 years)	12/1/90	0.1	0.1	0.1	0.1	0.1	0.6
8. Increase Airport Trust Fund aviation excise taxes (5 years) (15)	1/1/91	1.3	2.3	2.5	2.7	3.0	11.8
9. Increase harbor maintenance excise tax	1/1/91	0.3	0.3	0.4	0.4	0.4	1.8
10. Loss deductions and salvage values for insurance companies	1/1/90	0.3	0.2	0.2	0.2	0.2	1.1
11. Amortize insurance policy deferred acquisition expenses (DAC)	9/30/90	1.5	1.7	1.7	1.6	1.5	8.0
12. Adopt tax compliance provisions including certain provisions from S. 2410	3/20/90	(6)	(6)	0.1	0.1	0.1	0.3

Item	Effective	1991	1992	1993	1994	1995	1991-95
13. Retiree health with reversion excise increase and asset cushion requirement (16)	1/1/91	0.5	0.2	0.2	0.1	(6)	1.0
14. Corporate interest disallowance	1/1/91	3.5	0.2	0.2	0.1	0.1	4.1
15. Business tax provisions:							
a. Expand and clarify reporting and allocation rules for certain asset acquisitions	10/10/90	(6)	(6)	(6)	(6)	(6)	0.1
b. Require accrual of redemption premium for certain preferred stock	10/10/90	(6)	0.1	0.1	0.1	0.1	0.4
c. Expand application of CERT rules to subsidiary acquisitions	10/10/90	(6)	0.1	0.1	0.1	0.1	0.4
d. Require recognition of corporate-level gain in certain divisive corporate transactions (5-year limitation period)	10/10/90	(6)	(6)	(6)	(6)	(6)	0.2
e. Clarify treatment of debt exchanges	10/10/90	0.1	0.1	0.1	(6)	(6)	0.3
16. Extend IRS user fees (permanent) (17)	9/30/90	(6)	(6)	(6)	(6)	(6)	0.2
17. Extend medicare (HI) tax to all State and local employees (18)	1/1/92	--	0.7	1.4	1.6	1.6	5.2
18. Extend Social Security (OASDI) to State and local employees not participating in a public employee retirement system (19)	1/1/92	--	1.4	2.1	2.2	2.4	8.1
19. FUTA surtax (5 years) (17)	1/1/91	0.8	1.1	1.1	1.2	1.2	5.4
20. Increase railroad retirement payroll taxes (17)	--	(6)	(6)	(6)	0.1	0.1	0.2
21. Payroll tax deposit stabilization	--	1.0	2.2	-3.2	--	--	---
22. Extend telephone excise tax and modify collection period	1/1/91	1.6	2.6	2.8	2.9	3.1	13.1
23. Increase medicare (HI) wage cap to $89,000	1/1/91	1.3	4.1	4.2	4.5	4.8	19.0
Subtotals, Deficit Reduction Provisions		***20.3***	***36.8***	***34.1***	***39.1***	***40.9***	***171.2***
E. Other Provisions							
Increase JCT refund review threshold	D/o/E	—	—	—	—	—	—
GRAND TOTALS		**17.5**	**31.9**	**28.9**	**32.6**	**31.2**	**142.1**

NOTES: Details may not add to totals due to rounding.
Interaction between or among items has not been taken into account for the purpose of this table.
D/o/E in "Effective" column = Date of enactment.

(1) All estimates assume full restoration of tax benefits for 1990.
(2) Credit rate is retained at current level of 20%; base limitation is retained at current level of 50%.
(3) Loss of less than $50 million.
(4) Gain of less than $10 million.
(5) Loss of less than $10 million.

[Footnotes continued on following page.]

[Footnotes continued for JCX-41-90.]

(6) Gain of less than $50 million.

(7) Tax incentive begins phasing out as price of crude oil reaches $28 per barrel (adjusted for inflation). The estimate in the revenue table is based on current Congressional Budget Office (CBO) macro-economic forecast which projects crude oil prices in the range of $18 to $23 per barrel during FY 1991-95.

(8) Provide maximum $5,000 per year credit for 50% of eligible expenditures to make public accommodations accessible to disabled persons; limited to small businesses.

(9) Estimate reflects a combination of increased EITC (with modifications to adjust for family size, to enhance compliance, and to add a credit for health insurance) and 90% refundable dependent care credit. Total cost equals $5.0 billion provided in Budget Summit Agreement, plus $11.9 billion of tax credits contained in the latest Senate offer on child care (Conference on H.R. 3).

(10) Disallow itemized deductions in an amount equal to 5% of AGI in excess of $100,000 for single returns, $100,000 for joint returns, and $100,000 for head of household returns. Proposal does not apply to medical expenses, casualty losses, or investment interest. Disallowance under the proposal cannot exceed 80% of otherwise deductible itemized deductions subject to the proposal.

(11) 50% of motor fuels tax increase dedicated to deficit reduction; 50% dedicated to highway trust fund (20% of this portion to be allocated to mass transit account). Railroads will pay 50% of increase in rates; revenue increase dedicated to deficit reduction. Each State to receive Highway account apportionments and allocations equal to at least 95% of its contribution attributable to increased revenue.

(12) Increase distilled spirits by $1.20 (to $13.70/proof gallon); double beer to 32 cents/6-pack ($18/barrel); increase table wine to 21 cents/bottle ($1.07/gallon); maintaining current differential for fortified wines; with small winery/brewery exemption.

(13) Tax applies to specific newly-manufactured items with retail prices above the following thresholds: automobiles--$30,000; private boats and yachts--$100,000; jewelry--$5,000; furs--$5,000; and airplanes--$250,000. If an 80% business use test is satisfied for airplanes, the tax may be refunded by claiming it on the tax return for the year following purchase; this is allowed only if business use can be demonstrated to be 80% for that year. Tax is 10% of purchase price in excess of thresholds.

(14) The tax with respect to the new chemicals subject to the tax is phased in as follows: 1991--$1.37, 1992--$1.37, 1993--$1.67, 1994--$3.00, 1995--$3.10.

(15) This estimate is presented relative to the CBO baseline which assumes extension of the Airport and Airway Trust Fund (AATF) taxes with the tax reduction trigger in effect. The estimate reflects the effects both of removing the trigger and of increasing the rates of certain of the AATF taxes by 25% as proposed in the President's budget. The tax revenues go to the Airport and Airway Trust Fund.

(16) Permit certain tax-free transfers of excess pension assets to pay retiree health benefits. (Revenue effect in billions: 1991=$0.5; 1992=$0.3; 1993=$0.2; 1994=$0.2; 1995=$0.1; 1991-95 Total=$1.3.) Generally effective for reversions after September 30, 1990, increase the reversion excise tax to 20%. If the employer does not transfer 20% of the reversion to a qualified replacement plan or provide certain benefit increases to plan participants and retirees of at least 15% of the reversion, the reversion tax is 40%. (Revenue effect in billions: 1991=Loss of less than $50 million; 1992=$-0.1; 1993=$-0.1; 1994=$-0.1; 1995=$-0.1; 1991-95 Total=$-0.3.)

(17) Estimate provided by CBO.

(18) HI rate = 0.8% in 1992, 1.35% in 1993, 1.45% in 1994 and thereafter.

(19) The Budget Summit Agreement assumed that $4.0 billion of this revenue source would be used for Social Security Act outlays. These outlay amounts are reflected in Title VI.